



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**Town of Lambert, Mississippi**  
Financial Statements  
September 30, 2010

**Ellis & Hirsberg**  
Certified Public Accountants, PLLC  
Clarksdale, Mississippi

**TOWN OF LAMBERT, MISSISSIPPI  
TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b>FINANCIAL SECTION:</b>  |             |
| Independent Auditors' Report .....   | 1           |
| <b>BASIC FINANCIAL STATEMENTS:</b>   |             |
| <b>Government-Wide Financial Statements:</b>   |             |
| Statement of Activities and Net Assets - Cash Basis .....  | 3           |
| <b>Fund Financial Statements:</b>  |             |
| Statement of Cash Basis Assets and Fund Balances and Cash Receipts,<br>Disbursements and Changes in Cash Basis Fund Balances .....   | 6           |
| Notes to Financial Statements .....  | 12          |
| <b>REQUIRED SUPPLEMENTARY INFORMATION:</b>   |             |
| <b>Supplemental Information:</b>   |             |
| Schedule of Investments - All Funds .....  | 20          |
| Schedule of Long-Term Debt .....   | 21          |
| Schedule of Surety Bonds for Municipal Officials .....   | 23          |
| Schedule of Capital Assets .....   | 24          |
| <b>COMPLIANCE SECTION:</b>   |             |
| Independent Auditors' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <i>Government Auditing Standards</i> ..... | 25          |
| Schedule of Findings and Questioned Costs .....  | 27          |
| Independent Auditors' Report on Compliance with<br>State Laws and Regulations .....  | 28          |

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
Lambert, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lambert, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Lambert, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement referred to above is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town of Lambert, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information on the Town of Lambert, Mississippi, as of September 30, 2010, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The Town of Lambert has not presented the management's discussion and analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Lambert, Mississippi's financial statements taken as a whole. The supplemental information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2011 on our consideration of the Town of Lambert's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, appearing to be "J. L. ...", with some illegible initials or numbers to the right.

July 5, 2011

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

| Functions/Programs             | Program Cash Receipts |                      |                                  | Net (Disbursements) Revenue & Changes in Net Assets |                         |                          |                  |
|--------------------------------|-----------------------|----------------------|----------------------------------|---|-------------------------|--------------------------|------------------|
|                                | Cash Disbursements    | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions                      | Governmental Activities | Business-type Activities | Total            |
| <b>PRIMARY GOVERNMENT:</b>     |                       |                      |                                  |   |                         |                          |                  |
| Governmental activities:       |                       |                      |                                  |   |                         |                          |                  |
| General government             | \$ 439,276            |                      | 233,662                          |   | (205,614)               |                          | (205,614)        |
| Public Safety                  | 205,342               | 22,804               | 43,145                           |   | (139,393)               |                          | (139,393)        |
| Public Works                   | 104,364               | 85,962               |                                  |   | (18,402)                |                          | (18,402)         |
| Total Governmental Activities  | <u>748,982</u>        | <u>108,766</u>       | <u>0</u>                         | <u>276,807</u>                                      | <u>(363,409)</u>        | <u>0</u>                 | <u>(363,409)</u> |
| Business-type Activities:      |                       |                      |                                  |   |                         |                          |                  |
| Water & Sewer                  | 290,364               | 376,069              |                                  |   |                         | 85,705                   | 85,705           |
| Total Business-type Activities | <u>290,364</u>        | <u>376,069</u>       | <u>0</u>                         | <u>0</u>  | <u>0</u>                | <u>85,705</u>            | <u>85,705</u>    |
| Total Primary Government       | <u>\$ 1,143,710</u>   | <u>570,797</u>       | <u>0</u>                         | <u>276,807</u>                                      | <u>(381,811)</u>        | <u>85,705</u>            | <u>(296,106)</u> |

GENERAL RECEIPTS:

|                    |  |    |         |
|--------------------|--|----|---------|
| Taxes:             |  |    |         |
| Ad valorem taxes   |  | \$ | 197,176 |
| Sales tax          |  |    | 34,731  |
| Franchise taxes    |  |    | 29,117  |
| Licenses & permits |  |    | 835     |

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

| Functions/Programs              | Program Cash Receipts     |                                  |                                | Net (Disbursements) Revenue & Changes in Net Assets |                          |         |
|---------------------------------|---------------------------|----------------------------------|--------------------------------|---|--------------------------|---------|
|                                 | Charges for Disbursements | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities                             | Business-Type Activities | Total   |
| Unrestricted investment income  |                           | 541                              |                                | 2,013   |                          | 2,554   |
| Intergovernmental               |                           | 46,610                           |                                |   |                          | 46,610  |
| Miscellaneous                   |                           | 14,163                           |                                | 960   |                          | 15,123  |
| Transfers                       |                           | 82,444                           |                                | (82,444)  |                          | 0       |
| Total general receipts          |                           | 405,617                          |                                | (79,471)  |                          | 326,146 |
| Changes in net assets           |                           | 42,208                           |                                | 6,234   |                          | 48,442  |
| Net assets at beginning of year |                           | 190,859                          |                                | 217,907   |                          | 408,766 |
| Net assets at end of year       |                           | \$ 233,067                       |                                | 224,141   |                          | 457,208 |

The accompanying notes are an integral part of this statement.

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENTS OF ACTIVITIES & NET ASSETS - CASH BASIS - CONTINUED  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|                                   | Governmental                 | Business-                 |                           |
|-----------------------------------|------------------------------|---------------------------|---------------------------|
|                                   | Activities                   | type                      |                           |
|                                   | <u>Activities</u>            | <u>Activities</u>         | <u>Total</u>              |
| <b>ASSETS:</b>                    |                              |                           |                           |
| Cash & cash equivalents           | \$ 46,488                    | 57,691                    | 104,179                   |
| Restricted cash                   | <u>186,579</u>               | <u>166,450</u>            | <u>353,029</u>            |
| <br>Total assets                  | <br>\$ <u><u>233,067</u></u> | <br><u><u>224,141</u></u> | <br><u><u>457,208</u></u> |
| <br><b>NET ASSETS</b>             |                              |                           |                           |
| Restricted for bond & interest    | \$ 2,642                     |                           | 2,642                     |
| Restricted for street maintenance | 103,701                      |                           | 103,701                   |
| Restricted for fire prevention    | 79,066                       |                           | 79,066                    |
| Restricted for law enforcement    | 1,170                        |                           | 1,170                     |
| Restricted for meter deposits     |                              | 9,738                     | 9,738                     |
| Restricted for water & sewer      |                              | 132,712                   | 132,712                   |
| Unrestricted                      | <u>46,488</u>                | <u>81,691</u>             | <u>128,179</u>            |
| <br>Total net assets              | <br>\$ <u><u>233,067</u></u> | <br><u><u>224,141</u></u> | <br><u><u>457,208</u></u> |

The accompanying notes are an integral part of this statement.

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|  | Governmental Activities |                         |                         |                            | Business-Type Activities |                          |       |
|--|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|--------------------------|-------|
|  | General<br>Fund         | Debt<br>Service<br>Fund | HOME<br>Project<br>Fund | Other<br>Nonmajor<br>Funds | Total                    | Water &<br>Sewer<br>Fund | Total |
|  |                         |                         |                         |                            |                          |                          |       |
| RECEIPTS                                 |                         |                         |                         |                            |                          |                          |       |
| Taxes - Ad Valorem                       | \$ 137,109              | 13,258                  |                         |                            | 150,367                  |                          |       |
| Penalties & Interest on Delinquent Taxes | 1,101                   |                         |                         |                            | 1,101                    |                          |       |
| Taxes - Vehicles                         | 40,269                  | 5,439                   |                         |                            | 45,708                   |                          |       |
| Franchise Fees - Utilities & Cable       | 29,117                  |                         |                         |                            | 29,117                   |                          |       |
| Licenses & Permits                       | 835                     |                         |                         |                            | 835                      |                          |       |
| Homestead Exemption Reimbursement        | 10,866                  | 1,468                   |                         |                            | 12,334                   |                          |       |
| Police Academy Reimbursement             | 3,000                   |                         |                         |                            | 3,000                    |                          |       |
| ABC - Permit                             | 900                     |                         |                         |                            | 900                      |                          |       |
| General Sales Tax                        | 34,731                  |                         |                         |                            | 34,731                   |                          |       |
| Municipal Aid                            | 1,021                   |                         |                         |                            | 1,021                    |                          |       |
| Motor Vehicle Fuel Taxes                 | 5,408                   |                         |                         |                            | 5,408                    |                          |       |
| Fire Insurance Premium Taxes             | 10,713                  |                         |                         |                            | 10,713                   |                          |       |
| Grand Gulf                               | 6,285                   |                         |                         |                            | 6,285                    |                          |       |
| Fire Aid                                 | 5,000                   |                         |                         |                            | 5,000                    |                          |       |
| Road Maintenance                         | 1,949                   |                         |                         |                            | 1,949                    |                          |       |
| Charges for Services:                    |                         |                         |                         |                            |                          |                          |       |

TOWN OF LAMBERT, MISSISSIPPI  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|                                      | Governmental Activities |                         |                         |                            | Business-Type Activities |                          |                |
|--------------------------------------|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|--------------------------|----------------|
|                                      | General<br>Fund         | Debt<br>Service<br>Fund | HOME<br>Project<br>Fund | Other<br>Nonmajor<br>Funds | Total                    | Water &<br>Sewer<br>Fund | Total          |
|                                      |                         |                         |                         |                            |                          |                          |                |
| Garbage                              | 85,962                  |                         |                         |                            | 85,962                   |                          |                |
| Water & Sewer                        |                         |                         |                         |                            | 0                        | 376,069                  | 376,069        |
| Fines & Forfeits                     | 22,804                  |                         |                         |                            | 22,804                   |                          |                |
| Interest                             | 315                     | 40                      |                         | 186                        | 541                      |                          | 2,013          |
| HOME Project                         |                         |                         | 192,319                 |                            | 192,319                  |                          |                |
| CDBG - Micro Loan Project            |                         |                         |                         | 41,343                     | 41,343                   |                          |                |
| Rural Development - Police Car Grant |                         |                         |                         | 38,892                     | 38,892                   |                          |                |
| Other                                | 18,396                  | 20                      |                         |                            | 18,416                   | 960                      | 960            |
| <b>Total Receipts</b>                | <b>415,781</b>          | <b>20,225</b>           | <b>192,319</b>          | <b>80,421</b>              | <b>708,746</b>           | <b>379,042</b>           | <b>379,042</b> |

DISBURSEMENTS

|                              |        |
|------------------------------|--------|
| General Government:          |        |
| Salaries & Employee Benefits | 68,632 |
| Repairs & Operating Supplies | 9,032  |
| Telephone & Utilities        | 4,763  |

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|                              | Governmental Activities |                         |                         |                            | Business-Type Activities |                          |       |
|------------------------------|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|--------------------------|-------|
|                              | General<br>Fund         | Debt<br>Service<br>Fund | HOME<br>Project<br>Fund | Other<br>Nonmajor<br>Funds | Total                    | Water &<br>Sewer<br>Fund | Total |
|                              |                         |                         |                         |                            |                          |                          |       |
| Insurance                    | 22,056                  |                         |                         |                            | 22,056                   |                          |       |
| Other                        | 26,026                  | 20                      |                         | 6                          | 26,052                   |                          |       |
| Public Safety - Police:      |                         |                         |                         |                            |                          |                          |       |
| Salaries & Employee Benefits | 130,548                 |                         |                         |                            | 130,548                  |                          |       |
| Repairs & Operating Supplies | 16,266                  |                         |                         |                            | 16,266                   |                          |       |
| Telephone & Utilities        | 5,358                   |                         |                         |                            | 5,358                    |                          |       |
| Insurance                    | 17,248                  |                         |                         |                            | 17,248                   |                          |       |
| Other                        | 24,280                  |                         |                         |                            | 24,280                   |                          |       |
| Public Safety - Fire:        |                         |                         |                         |                            |                          |                          |       |
| Repairs & Operating Supplies | 6,086                   |                         |                         |                            | 6,086                    |                          |       |
| Telephone & Utilities        | 2,596                   |                         |                         |                            | 2,596                    |                          |       |
| Insurance                    | 2,960                   |                         |                         |                            | 2,960                    |                          |       |
| Public Works - Streets:      |                         |                         |                         |                            |                          |                          |       |
| Salaries & Employee Benefits | 18,544                  |                         |                         |                            | 18,544                   |                          |       |
| Repairs & Operating Supplies | 2,721                   |                         |                         |                            | 2,721                    |                          |       |
| Utilities - Street Lights    | 26,587                  |                         |                         |                            | 26,587                   |                          |       |
| Public Works - Sanitation:   |                         |                         |                         |                            |                          |                          |       |
| Garbage Fees                 | 56,512                  |                         |                         |                            | 56,512                   |                          |       |

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|   | Governmental Activities |                         |                         |                            | Business-Type Activities |                          |         |
|---|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|--------------------------|---------|
|   | General<br>Fund         | Debt<br>Service<br>Fund | HOME<br>Project<br>Fund | Other<br>Nonmajor<br>Funds | Total                    | Water &<br>Sewer<br>Fund | Total   |
|   |                         |                         |                         |                            |                          |                          |         |
| Enterprises - Water & Sewer:                  |                         |                         |                         |                            |                          |                          |         |
| Salaries & Employee Benefits                  |                         |                         |                         |                            |                          | 82,384                   | 82,384  |
| Repairs & Operating Supplies                  |                         |                         |                         |                            |                          | 39,057                   | 39,057  |
| Telephone & Utilities                         |                         |                         |                         |                            |                          | 23,742                   | 23,742  |
| Insurance                                     |                         |                         |                         |                            |                          | 23,728                   | 23,728  |
| Other   |                         |                         |                         |                            |                          | 14,554                   | 14,554  |
| Federal Expenditures:                         |                         |                         |                         |                            |                          |                          |         |
| HOME Project                                  |                         |                         | 192,319                 |                            | 192,319                  |                          |         |
| CDBG - Micro Loan Project                     |                         |                         |                         | 41,343                     | 41,343                   |                          |         |
| Police Cars                                   | 12,954                  |                         |                         | 38,892                     | 51,846                   |                          |         |
| Interest on Loans                             | 20                      | 6,371                   |                         |                            | 6,391                    | 64,903                   | 64,903  |
| Total Disbursements                           | 453,189                 | 6,391                   | 192,319                 | 80,241                     | 732,140                  | 248,368                  | 248,368 |
| Excess of Receipts Over (Under) Disbursements | (37,408)                | 13,834                  | 0                       | 180                        | (23,394)                 | 130,674                  | 130,674 |

TOWN OF LAMBERT, MISSISSIPPI  
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
 CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|   | Governmental Activities |                         |                         |                            | Business-Type Activities |                  |
|---|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|------------------|
|   | General<br>Fund         | Debt<br>Service<br>Fund | HOME<br>Project<br>Fund | Other<br>Nonmajor<br>Funds | Water &<br>Sewer<br>Fund | Total            |
|   |                         |                         |                         |                            |                          |                  |
| OTHER CASH SOURCES (USES)   |                         |                         |                         |                            |                          |                  |
| Debt Repaid - Principal   | (863)                   | (15,979)                |                         |                            | (16,842)                 | (41,996)         |
| Transfers In  | 87,444                  |                         |                         |                            | 87,444                   | 5,000            |
| Transfers Out   | (5,000)                 |                         |                         |                            | (5,000)                  | (87,444)         |
| Total Other Cash Sources (Uses)   | <u>81,581</u>           | <u>(15,979)</u>         | <u>0</u>                | <u>0</u>                   | <u>65,602</u>            | <u>(124,440)</u> |
| Excess (Deficiency) of Receipts and Other<br>Cash Sources Over Disbursements and<br>Other Cash Uses | 44,173                  | (2,145)                 | 0                       | 180                        | 42,208                   | 6,234            |
| Cash Basis Fund Balance - Beginning of Year   | <u>82,535</u>           | <u>4,788</u>            | <u>103,536</u>          | <u>190,859</u>             | <u>217,907</u>           | <u>217,907</u>   |
| Cash Basis Fund Balance - End of Year   | <u>\$ 126,708</u>       | <u>2,643</u>            | <u>0</u>                | <u>103,716</u>             | <u>224,141</u>           | <u>224,141</u>   |

TOWN OF LAMBERT, MISSISSIPPI  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND  
CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010

|                                       | Governmental Activities |                   |                   |                      | Business-Type Activities |                    |
|---------------------------------------|-------------------------|-------------------|-------------------|----------------------|--------------------------|--------------------|
|                                       | General Fund            | Debt Service Fund | HOME Project Fund | Other Nonmajor Funds | Total                    | Water & Sewer Fund |
| Cash Basis Assets - End of Year       |                         |                   |                   |                      |                          |                    |
| Cash and Cash Equivalents             | \$ 46,488               |                   |                   | 46,488               |                          | 81,691             |
| Restricted Cash                       | 80,220                  | 2,643             |                   | 103,716              | 186,579                  | 142,450            |
| Total Cash Basis Assets               | \$ 126,708              | 2,643             | 0                 | 103,716              | 233,067                  | 224,141            |
| Cash Basis Fund Balance - End of Year |                         |                   |                   |                      |                          |                    |
| Reserved                              | \$ 80,220               | 2,643             |                   | 103,716              | 186,579                  | 142,450            |
| Unreserved                            | 46,488                  |                   |                   |                      | 46,488                   | 81,691             |
| Total Cash Basis Fund Balances        | \$ 126,708              | 2,643             | 0                 | 103,716              | 233,067                  | 224,141            |

**TOWN OF LAMBERT, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town operates under a Mayor-Board of Alderpersons form of government and provides all of the rights and privileges provided by statute for municipalities.

**A. Government-wide and Fund Financial Statements**

Basic financial statements consist of the following:

- Statement of activities and net assets - cash basis
- Statement of cash basis assets and fund balances and cash receipts, disbursements and changes in cash basis fund balances

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town combines the statement of activities and statement of net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) receipts from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are recorded when cash is spent.

Governmental fund financial statements are reported using the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when collected and expenditures are reported when cash is spent.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

The Town reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the Town except those required to be accounted for in other specialized funds.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including principal, interest and related costs.

**HOME Project Fund** - This fund is used to account for federal grants designated for home construction or renovations.

The Town reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of providing water and sewer services to citizens of the Town.

Additionally, the Town reports the following fund type:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Federal Capital Project Fund** - Capital project funds are used to account for financial resources to be used for acquisition and/or construction of major capital facilities. The source of these funds is mostly federal grants or loans.

Amounts reported as *program receipts* include 1) receipts from customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general receipts* rather than as program receipts.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

C. **Assets and Net Assets or Equity**

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand or invested in certificates of deposit.

Net Assets

The Town's government-wide and proprietary net assets are divided into the following components:

**Restricted net assets** - consist of net assets that are restricted by the Town's creditors (for example through debt covenants), by state enabling legislation (through restrictions or shared revenues), by grantors (both Federal and state), and by contributors.

**Unrestricted net assets** - all other net assets are reported in this category.

- D. **Budgetary Data** - Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for government and proprietary funds. For governmental funds, receipts are budgeted on the cash basis.

Expenditures are budgeted on the modified cash basis of accounting. This is consistent with the applicable laws of Mississippi for municipalities. Budgets for Capital Projects Funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by projects.

All unencumbered budget appropriations, except project budgets, lapse at the end of the fiscal year.

- E. **Property Tax Revenues** - Property taxes are levied on January 1, based on the assessed value of property per the County Tax Bills. Assessed values are an approximation of market value.

Property taxes are recognized as revenue when they are received.

**TOWN OF LAMBERT, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

- F. **Vacation, Sick Leave and Other Compensated Absences** - It is the Town's policy to have all employees take their vacation in the year it is earned. Upon termination, employees are paid for any unused vacation time. Sick leave may only be taken for bonafide sickness and is lost upon termination of employment.

**NOTE 2 - PROPERTY TAXES:**

Property taxes attach as an enforceable lien as of February 1.

The Town used a tax levy in 2009 of 84 mills on assessed valuation for taxing property within the incorporated boundaries. The Town utilized the county tax rolls and values in assessing the ad valorem taxes on real and personal property within the Town boundaries. The Town's property taxes and personal auto taxes are collected and remitted to the Town by the Quitman County tax collector.

Property for which ad valorem taxes have not been paid is advertised for sale in April of each year. Property not sold at the auction is struck to the State of Mississippi.

**NOTE 3 - CASH AND OTHER DEPOSITS:**

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the Town's deposits with financial institutions was \$456,930 and the bank balance was \$462,428. The Town maintains a \$278 petty cash fund.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2010, none of the Town's bank balances of \$462,428 was exposed to custodial credit risk.

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 4 - LONG-TERM DEBT:**

Transactions of the long-term debt group of accounts are shown in the schedule of long-term debt. The following schedule reflects the debt service requirements of the general obligation debt and revenue debt contained in the schedule of long-term debt for the next five years and five year increments thereafter:

| <u>GENERAL OBLIGATIONS</u>   | FYE<br>9-30-11 | FYE<br>9-30-12 | FYE<br>9-30-13 | FYE<br>9-30-14 | FYE<br>9-30-15 | FYE<br>9-30-16<br>Thru<br>9-30-20 | FYE<br>9-30-21<br>Thru<br>9-30-25 | FYE<br>9-30-26<br>Thru<br>9-30-30 |
|--|----------------|----------------|----------------|----------------|----------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 1. General Obligation Street Improvement Bonds<br>Interest Rate 4.5%   |                |                |                |                |                |                                   |                                   |                                   |
| Principal  | 15,600         | 16,400         | 17,300         | 18,200         | 19,100         | 39,004                            |                                   |                                   |
| Interest   | 6,750          | 6,048          | 5,310          | 4,532          | 3,713          | 5,801                             |                                   |                                   |
| 2. State of Mississippi Rail Service Revolving Loan<br>Interest Rate .25% - 180 Monthly<br>Payments of \$67.93 |                |                |                |                |                |                                   |                                   |                                   |
| Principal  | 800            | 803            | 806            | 809            | 812            | 2,627                             |                                   |                                   |
| Interest   | 16             | 14             | 12             | 10             | 8              | 19                                |                                   |                                   |
| <u>REVENUE OBLIGATIONS</u>   |                |                |                |                |                |                                   |                                   |                                   |
| 1. Rural Development<br>Water & Sewer System<br>Revenue Bond (2000 Issue)<br>Interest Rate 4.5%                |                |                |                |                |                |                                   |                                   |                                   |
| Principal  | 6,037          | 6,308          | 6,592          | 6,889          | 7,199          | 41,154                            | 51,285                            | 63,911                            |
| Interest   | 11,318         | 11,047         | 10,763         | 10,466         | 10,156         | 45,621                            | 35,490                            | 22,864                            |
|  |                |                |                |                |                |                                   |                                   | FYE<br>9-30-31<br>Thru<br>9-30-34 |
| Water & Sewer System<br>Revenue Bond (2000 Issue)<br>Interest Rate 4.5%  |                |                |                |                |                |                                   |                                   |                                   |
| Principal  |                |                |                |                |                |                                   |                                   | 58,021                            |
| Interest   |                |                |                |                |                |                                   |                                   | 7,137                             |
|  |                |                |                |                |                | FYE<br>9-30-16<br>Thru<br>9-30-20 | FYE<br>9-30-21<br>Thru<br>9-30-25 | FYE<br>9-30-26<br>Thru<br>9-30-30 |
|  | FYE<br>9-30-11 | FYE<br>9-30-12 | FYE<br>9-30-13 | FYE<br>9-30-14 | FYE<br>9-30-15 | FYE<br>9-30-20                    | FYE<br>9-30-25                    | FYE<br>9-30-30                    |
| 2. Rural Development<br>Water & Sewer System<br>Revenue Bond (2004 Issue)<br>Interest Rate 4.5%                |                |                |                |                |                |                                   |                                   |                                   |
| Principal  | 15,937         | 16,661         | 17,419         | 18,211         | 19,039         | 108,996                           | 136,135                           | 170,030                           |
| Interest   | 41,937         | 41,213         | 40,455         | 39,663         | 38,829         | 180,343                           | 153,204                           | 119,309                           |

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

|   |                |                |                | FYE<br>9-30-31<br>Thru<br>9-30-35 | FYE<br>9-30-36<br>Thru<br>9-30-39 |
|---|----------------|----------------|----------------|-----------------------------------|-----------------------------------|
| Water & Sewer System<br>Revenue Bond (2004 Issue)<br>Interest Rate 4.5% |                |                |                |                                   |                                   |
| Principal   |                |                |                | 212,366                           | 209,691                           |
| Interest  |                |                |                | 76,973                            | 24,097                            |
|   |                |                |                |                                   | FYE<br>9-30-16<br>Thru<br>9-30-18 |
|   | FYE<br>9-30-11 | FYE<br>9-30-12 | FYE<br>9-30-13 | FYE<br>9-30-14                    | FYE<br>9-30-15                    |
| 3. State of MS Revolving Fund Loan<br>Interest Rate 4.5%                |                |                |                |                                   |                                   |
| Principal   | 23,869         | 24,965         | 26,112         | 27,312                            | 28,566                            |
| Interest  | 7,792          | 6,696          | 5,549          | 4,349                             | 3,094                             |
|   |                |                |                |                                   | 53,185<br>2,222                   |

There are a number of limitations and restrictions contained in the revenue bond ordinances. There are requirements that a reserve account be maintained as follows:

|   | Amount of<br>Reserve<br>Requirement<br><u>At 9-30-10</u> | Amount of<br>Reserve<br><u>At 9-30-10</u> |
|---|--|---|
| Note Payable Rural Development (2000 Issue -<br>4.5% Rate Note) (Sewer) |  |   |
| Contingent  | 4,475  | 4,475                                     |
| Depreciation  | 4,475  | 4,475                                     |
| Bond Cushion  | 9,115  | 9,115                                     |
| Note Payable Rural Development (2004 Issue<br>4.5% Rate Note) (Water)   |  |   |
| Bond Cushion  | 16,698   | 19,602                                    |
| Depreciation  | 8,349  | 9,801                                     |
| Contingent  | 8,349  | 9,801                                     |

**NOTE 5 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors, and omissions; injuries to employees; and natural disasters. Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TOWN OF LAMBERT, MISSISSIPPI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

Participation in Public Entity Risk Pool.

The Town is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The trust pays statutory amounts. The funds in the trust account are used to pay any claim up to \$750,000 for fire fighters and police and \$500,000 for all others. For a claim exceeding \$750,000 and \$500,000, MMWCG has reinsurance. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

The Town is a member of the Mississippi Municipal Liability Plan (MMLP). This is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMLP covers liability claims against the Town. Each member of the MMLP contributes to a fund held in trust account. The funds held in the trust account are used to pay claims of \$500,000 for torts and \$1,000,000 on federal claims. The Town has not had an additional assessment for excess losses.

**NOTE 6 - DEFINED BENEFIT PENSION PLAN**

Plan Description. The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are currently required to contribute 9.00% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the current and prior two fiscal years were as follows:

|                        |        |
|------------------------|--------|
| FYE September 30, 2010 | 19,897 |
| FYE September 30, 2009 | 21,629 |
| FYE September 30, 2008 | 18,691 |

**TOWN OF LAMBERT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

These amounts were equal to the required contribution for these years.

**NOTE 7 - INTERFUND TRANSFERS**

Interfund transfers during the year were as follows:

| <u>Transfer to</u>   | <u>Transfer From</u> | <u>Amount</u>    |
|----------------------|----------------------|------------------|
| General Fund         | Water and Sewer Fund | \$ 87,444        |
| Water and Sewer Fund | General Fund         | <u>(5,000)</u>   |
|                      |                      | \$ <u>82,444</u> |

The above interfund transfers are operating transfers necessary to move funds collected in one fund to another fund in accordance with the Town's annual budgets.

**NOTE 8 - ECONOMIC DEPENDENCY**

The Town is a rural community located in the Mississippi Delta. It is dependent on ad valorem taxes and user fees from its residents to remain viable.

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF INVESTMENTS - BUSINESS-TYPE ACTIVITIES  
SEPTEMBER 30, 2010

All investments are certificates of deposit with banks

WATER AND SEWER FUND:

|  |                       |
|--|-----------------------|
| 1.05%, Due 3-4-11 (Water & Sewer)                  | 24,000                |
| 1.24%, Due 10-9-11 (Bond Cushion - Reserve)        | 21,000                |
| 1.24%, Due 10-9-11 (Depreciation Reserve)          | 10,000                |
| 1.24%, Due 10-9-11 (Sewer Bond - Reserve)          | 9,115                 |
| 1.24%, Due 10-9-11 (Sewer Depreciation - Reserve)  | 4,475                 |
| 1.24%, Due 10-9-11 (Sewer Contingent - Reserve)    | 4,475                 |
| 1.24%, Due 10-13-11 (Water - Depreciation Reserve) | 8,450                 |
| 1.24%, Due 10-13-11 (Water Contingent - Reserve)   | 8,450                 |
| 1.24%, Due 10-13-11 (Water Bond Reserve)           | <u>16,900</u>         |
| Total Investments                                  | <u><u>106,865</u></u> |

Certificates of deposit are included in cash in the Water and Sewer Fund - Business-type Activities.

“Unaudited”

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
FOR YEAR ENDED SEPTEMBER 30, 2010

|  | Balance        | Transactions  |                 | Balance        |
|--|----------------|---------------|-----------------|----------------|
|  | Outstanding    | During        |                 | Outstanding    |
|  | <u>10-1-09</u> | <u>Issued</u> | <u>Redeemed</u> | <u>9-30-10</u> |
| <b>GENERAL OBLIGATION BONDS:</b>   |                |               |                 |                |
| Street Improvement Bond - Interest rate<br>4.5% - 15 variable annual payments<br>Beginning January 20, 2005 thru<br>January 20, 2019   | \$ 141,583     |               | 15,979          | 125,604        |
| State of Mississippi Rail Service Revolving<br>Loan - Interest rate 1/4% of 1%. 180<br>Monthly payments of \$67.93.  | <u>7,520</u>   |               | <u>863</u>      | <u>6,657</u>   |
| Total general long-term debt   | <u>149,103</u> | <u>0</u>      | <u>16,842</u>   | <u>132,261</u> |
| <b>REVENUE BONDS:</b>  |                |               |                 |                |
| Rural Development<br>Water & Sewer System Revenue Bonds.<br>(2000 Issue) 4.5% interest rate; original<br>amount of \$295,400 collateralized by<br>revenues and water and sewer plant facilities.<br>Monthly payments of \$1,447 (including<br>interest) starting June 17, 2001 until 2033.<br>Annual payments of interest only due<br>May 17, 2001 and May 17, 2002. | 253,985        |               | 6,589           | 247,396        |
| Rural Development<br>Water & Sewer System Revenue Bonds.<br>(2004 Issue) 4.5% interest rate; original<br>amount of \$998,000 payment in 420 monthly<br>payments of approximately \$4,822.84<br>beginning February 2005 and ending<br>January 2040  | 937,072        |               | 12,587          | 924,485        |

“Unaudited”

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF LONG-TERM DEBT  
FOR YEAR ENDED SEPTEMBER 30, 2010

|  | Balance             | Transactions       |                 | Balance          |
|--|---------------------|--------------------|-----------------|------------------|
|  | Outstanding         | During Fiscal Year |                 | Outstanding      |
|  | <u>10-1-09</u>      | <u>Issued</u>      | <u>Redeemed</u> | <u>9-30-10</u>   |
| Other Debt:  |                     |                    |                 |                  |
| State Revolving Fund Loan.   |                     |                    |                 |                  |
| 4.5% interest rate original amount of \$411,627, monthly payments of \$2,638 including interest to be withheld from monthly sales tax reimbursement to 2017. | <u>206,829</u>      |                    | <u>22,820</u>   | <u>184,009</u>   |
| Total enterprise fund debt   | <u>1,397,886</u>    | <u>0</u>           | <u>41,996</u>   | <u>1,355,890</u> |
| Total Town long-term debt  | <u>\$ 1,546,989</u> | <u>0</u>           | <u>58,838</u>   | <u>1,488,151</u> |

“Unaudited”

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS  
SEPTEMBER 30, 2010

| <u>Name</u>       | <u>Position</u>       | <u>Date Expired</u> | <u>Company</u>                                      | <u>Bond</u> |
|-------------------|-----------------------|---------------------|---|-------------|
| Cornelius Conley  | Mayor                 | 8-1-2011            | Travelers   | \$ 100,000  |
| Ricky Poole       | Alderman              | 7-6-2013            | MS Municipal Bond Program<br>Scott Insurance Agency | 50,000      |
| Royce Ray         | Alderman              | 7-6-2013            | MS Municipal Bond Program<br>Scott Insurance Agency | 50,000      |
| Bernard White     | Alderman              | 7-6-2013            | MS Municipal Bond Program<br>Scott Insurance Agency | 50,000      |
| Larry Stevenson   | Alderman              | 7-6-2013            | MS Municipal Bond Program<br>Scott Insurance Agency | 50,000      |
| Alvis Pryor, Jr.  | Alderman              | 7-6-2013            | MS Municipal Bond Program<br>Scott Insurance Agency | 50,000      |
| Rena Wade         | Police Chief          | 2-5-2011            | RLI Insurance Co.                                   | 50,000      |
| Patsy Keel        | Town Clerk            | 6-22-2011           | RLI Insurance Co.                                   | 100,000     |
| Rodella Covington | Municipal Court Clerk | 6-22-2011           | RLI Insurance Co.                                   | 50,000      |

"Unaudited"

TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

|   | <u>Beginning</u><br><u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u><br><u>Balance</u> |
|---|------------------------------------|------------------|------------------|---------------------------------|
| Governmental activities:                      |                                    |                  |                  |                                 |
| Capital Assets:                               |                                    |                  |                  |                                 |
| Land  | \$ 21,046                          |                  |                  | 21,046                          |
| Buildings                                     | 109,924                            |                  | 3,350            | 106,574                         |
| Machinery and equipment                       | 37,490                             | 51,846           | 10,451           | 78,885                          |
| Infrastructure                                | <u>148,980</u>                     |                  | <u>10,750</u>    | <u>138,230</u>                  |
| Total Governmental activities capital assets  | <u>\$ 317,440</u>                  | <u>51,846</u>    | <u>24,551</u>    | <u>344,735</u>                  |
| Business-type activities                      |                                    |                  |                  |                                 |
| Capital Assets:                               |                                    |                  |                  |                                 |
| Water and Sewer System                        | <u>\$ 2,142,726</u>                |                  | <u>188,622</u>   | <u>1,954,104</u>                |
| Total Business-type activities capital assets | <u>\$ 2,142,726</u>                | <u>0</u>         | <u>188,622</u>   | <u>1,954,104</u>                |

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and Aldermen  
Town of Lambert  
Lambert, Mississippi

We have audited the financial statements of the governmental and business-type activities of the Town of Lambert, Mississippi as of and for the year ended September 30, 2010, and have issued our report thereon dated July 5, 2011. Our report differed from the standard report due to the basis of accounting. All governmental and proprietary funds contained in this report are accounted for using the cash receipts and disbursements basis of accounting, as permitted by the Mississippi State Department of Audit. This basis of accounting differs from generally accepted accounting principles in that revenues are recognized when received rather than when measurable and available as net current assets and expenditures are generally recognized when the related fund expense is disbursed rather than when the related fund liability is incurred. Consequently, these financial statements are not intended to present financial position or results of operations in accordance with generally accepted accounting principles. The Town of Lambert has not presented the management's discussion and analysis or budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements of the governmental and business-type activities, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 10-1 and 10-2 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town of Lambert, Mississippi's response to the findings identified in our audit is described in the Schedule of Findings and Questioned Costs. We did not audit the Town of Lambert, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Town of Lambert, Mississippi's management, Board of Aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

July 5, 2011

A handwritten signature in black ink, appearing to read "LPA PLW".

**TOWN OF LAMBERT, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2010**

10-1 Finding:

There is a lack of segregation of duties in the Town Clerk's office. Internal accounting controls of the Town of Lambert are inadequate because of a lack of segregation of duties due to limited personnel and limited funding. Good internal controls call for the segregation of duties between the performance, approval and record keeping of a transaction. This finding was reported in the prior year.

Recommendation:

An evaluation of the internal control structure of the Town of Lambert, Mississippi to determine a workable and economically feasible improvement in the internal control structure.

Response:

The Town of Lambert, Mississippi is unable to hire additional employees to properly segregate the duties due to the limited funding resources of a small municipality.

10-2 Finding:

The person responsible for the Town of Lambert's accounting and reporting function lacks the skills and knowledge to prepare financial statements with full disclosures.

Recommendation:

Evaluate the abilities of the current staff of the Town of Lambert and provide continuing education when available to enhance the knowledge of the staff.

Response:

The Town of Lambert is unable to upgrade their personnel to a skill level necessary to eliminate this finding due to limited funding resources.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

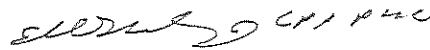
Honorable Mayor and Aldermen  
Town of Lambert, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Lambert, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the Town of Lambert, Mississippi's basic financial statements and have issued our report thereon dated July 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information disclosed no material instances of noncompliance with state laws and regulations.

This report is intended for the information of the Town of Lambert, Mississippi's management and Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



July 5, 2011